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March 15, 2002

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TWB – 204
Washington, D.C. 200554

Dear Ms. Salas:

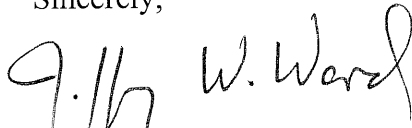
Re: Ex Parte: In re Applications of GTE Corp., Transferor, and Bell Atlantic Corporation, Transferee For Consent to Transfer Control of Domestic and International Sections 214 and 310 Authorizations and Application to Transfer Control of a Submarine Cable Landing License CC Docket No. 98-184

The enclosed materials are being filed pursuant to Verizon Communications, Inc.'s ("Verizon") obligations under Appendix D, Section XXI, paragraph 55 (c) of the above referenced docket that requires an annual compliance report be filed with the Common Carrier Bureau's Audit Staff and for the public record no later than March 15 of the calendar year following the year covered by the report.

This letter provides notice that a copy of the report was filed with the Common Carrier Bureau's Audit Staff.

Please include the enclosed document in the record of the above referenced proceeding.

Sincerely,


Jeffrey W. Ward

Enclosure

Jeffrey Wm Ward
Senior Vice President
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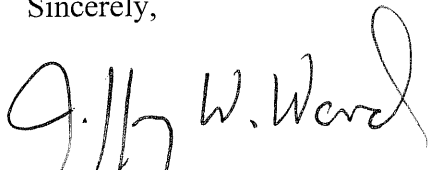
March 15, 2002

Mr. Anthony Dale, Esq.
Federal Communications Commission
Accounting Safeguards Division – Legal Branch
445 12th St SW – Room 6-C431
Washington, D.C. 20554

Dear Mr. Dale:

As the Verizon senior corporate regulatory compliance officer, I have responsibility for all regulatory compliance activities, including compliance with merger- related conditions. Pursuant to Appendix D, Section XXI, paragraph 55 (c) of Docket No. 98-184, I am submitting Verizon's 2001 Annual compliance Report.

Sincerely,


Jeffrey W. Ward



Verizon Communications Inc.

Bell Atlantic/GTE Merger Conditions Annual Compliance Report

**Jeffrey W. Ward
Senior Vice President
Regulatory Compliance
Verizon Communications Inc.**

March 15, 2002

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Executive Summary
Verizon Annual Merger Compliance Report
March 15, 2002

The Bell Atlantic/GTE Merger Conditions (“Merger Conditions”) require Verizon to submit a report annually by March 15 addressing the Company’s compliance with the Merger Conditions for the preceding calendar year. Verizon submitted its first report on March 15, 2001, summarizing its compliance efforts from the merger closing date on June 30, 2000, through December 31, 2000. This report summarizes Verizon’s compliance efforts from January 1, 2001, through December 31, 2001. Verizon has implemented required commitments for this reporting period and is in compliance with the Merger Conditions as specified in this report. Verizon continues to adjust its business processes, as needed, to maintain compliance and carefully monitors the processes established.

The Merger Conditions require Verizon to fulfill numerous comprehensive requirements by established due dates. Implementation of many of these requirements is complex, requiring the production of hundreds of thousands of data points and changes to Verizon’s billing and reporting systems. As more fully described in the section on each Condition, the following provides a summary of the actions taken by Verizon and its subsidiaries during 2001 to comply with the Merger Conditions and achieve the five policy goals of the Merger Conditions:

a. Promoting Equitable and Efficient Advanced Services Deployment

- 1) Transitioned the provisioning of Advanced Services in Verizon service areas in California, Hawaii, and the former GTE service area in Virginia to a structurally separate affiliate upon required state approval.
- 2) Subject to certain transitional mechanisms and timeframes, operated the separate Advanced Services affiliate in accordance with the structural, transitional, and non-discrimination requirements of 47 USC ¶ 272(b), (c), (e), and (g) except as otherwise permitted by the Merger Conditions. On December 1, 2001, began transferring Advanced Services from the separate Advanced Services affiliate to the local exchange companies as a result of the decision in *ASCENT v. FCC* 235 F3d 662 (D.C. Cir. 2001), that the separate affiliate is a “successor or assign” of the local exchange companies.¹

¹ On September 26, 2001, the FCC accelerated the sunset of the separate affiliate Merger Condition. Verizon ceased applying the separate affiliate merger rules imposed by Condition I of the Merger Conditions to Verizon Advanced Data Inc. as of September 27, 2001, and ceased applying the separate affiliate merger rules to Verizon Avenue and the other Advanced Services affiliates in January 2002. Concurrent with the sunset of the separate affiliate Merger Condition, Verizon began operating under paragraph 12 of the Merger Conditions.

- 3) Complied with the FCC's line sharing order.
- 4) Made interim loop conditioning rates available and obtained CLEC authorization for loop conditioning prior to performing work that would result in charges. Provided, at no charge, conditioning for eligible loops under 12,000 feet to meet minimum requirements for removal of load coils, excessive bridged taps, and/or voice grade repeaters.
- 5) Applied to qualifying lines, unless a CLEC opted not to receive the discount, a 25% discount on the recurring and non-recurring charges that otherwise would be applicable on unbundled local loops used to provide advanced services.
- 6) In each state where xDSL was deployed in at least 20 urban or 20 rural wire centers, at least 10% of the wire centers in which Verizon deployed were from the Low Income Urban Pool or the Low Income Rural Pool, respectively.

b. Ensuring Open Local Markets

- 1) Reported monthly carrier-to-carrier performance for the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions.
- 2) Adopted in each Bell Atlantic and GTE State the Bell Atlantic operating support system interface change management process originally developed as part of the New York section 271 proceeding.
- 3) Implemented uniform transport and security protocols across the merged Bell Atlantic and GTE service areas.
- 4) Where requested by a CLEC, deployed in the Verizon service areas an electronic bonding interface that supports maintenance and repair of resold local services and UNEs that meet the requirements of 47 U.S.C. §251(c)(3).
- 5) Made available operating support system teams to assist qualifying CLECs, provided notice of the teams' availability, held forums to discuss beneficial training and procedures, and communicated the training schedule.
- 6) Complied with the FCC's collocation rules and advanced services order released March 31, 1999, and the final rules as amended, through appropriate state tariffs filings and interconnection agreement amendments.
- 7) Offered most-favored-nation ("MFN") interconnection agreements and completed appropriate requests.
- 8) Offered to provide multi-state interconnection/resale agreements and made available a generic multi-state interconnection and resale agreement covering all Verizon states.
- 9) Provided the required unbundled loop discounts used in the provision of residential service to carriers unless the carrier chose not to accept the discount.

- 10) Provided the required resale discounts to CLECs unless the carrier chose not to accept the discount.
- 11) Continued to make available the UNEs and UNE combinations required in the FCC's UNE and line sharing orders.
- 12) Offered to provide alternative dispute resolution through mediation as outlined in Attachment F of the Merger Order.
- 13) Offered owners and developers of multi-tenant properties, where required, the option to install a single point of interconnection at a minimum point of entry when the property owner or other party owns or maintains the cabling beyond the single point of interconnection.

c. Fostering out-of-region competition

- 1) Spent at least \$100 million in qualified expenditures in out-of-region markets.

d. Improving residential phone service

- 1) Provided an interLATA services pricing plan with no minimum monthly or flat rate charge.
- 2) Implemented the enhanced lifeline plan in Illinois and continued to offer it in Delaware.
- 3) Provided quarterly NARUC white paper retail service quality reports.
- 4) Provided quarterly local service quality Table 1 ARMIS 43-05 reports.
- 5) Reported monthly the service quality data required pursuant to paragraph 53 of the Merger Order separately showing the service level provided to Genuity and other companies for special access and high capacity services.
- 6) Participated in meetings of the Network Reliability and Interoperability Council, including Focus Groups.

e. Ensuring full compliance with all Conditions

- 1) A senior corporate regulatory compliance officer oversaw the Merger Compliance program.
- 2) The audit committee of the board of directors oversaw the senior corporate regulatory compliance officer's work.
- 3) Independent auditors were selected to perform the required reviews and were subsequently approved by the FCC. In conjunction with the FCC's Accounting Safeguards Division Audit Branch, the independent auditors submitted their

audit programs to the FCC for review and issued their reports for the appropriate periods.

- 4) Independent auditors were granted access to relevant Verizon books, records, operations, and personnel.
- 5) Verizon made the required voluntary performance payments to the U.S. Treasury 30 days after the Carrier-to-Carrier Performance results became available.

This report is divided into two sections. The Introduction provides a summary of the actions taken by Verizon to establish the control framework that provides reasonable assurance of overall compliance with the Merger Conditions. The second section, the Conditions, provides an update on each Merger Condition, per Appendix D of the Merger Order, and includes a separate section at the end of the report describing Verizon's compliance with the obligations relative to Genuity. This report demonstrates Verizon's compliance with the Merger Conditions.

Introduction
Verizon Merger Compliance Report
March 15, 2002

On June 16, 2000, the Federal Communications Commission (FCC) adopted and released its Memorandum Opinion and Order in CC Docket No. 98-184 granting the applications for transfer of licenses and lines pursuant to the merger of Bell Atlantic Corporation and GTE Corporation. The merger closing was subject to a number of Conditions including compliance with specified Genuity relationships and compliance with twenty-five (25) separate Conditions. The merger closing date was June 30, 2000.

Verizon is providing this Annual Compliance Report to the FCC Common Carrier Bureau's Audit Staff as required by paragraph 55 (c) in Appendix D of the Order. The terms "former Bell Atlantic" and "former GTE" refer to the companies providing service in the "Bell Atlantic service area" and "GTE service area" as defined in Appendix D of the Order. The word "Company" or "Companies" used throughout this report refers to the former Bell Atlantic and former GTE companies.

This report is divided into two sections:

- a. This Introduction outlines the overall internal control and compliance structure that Verizon has in place to communicate, track and monitor the timely satisfaction of these Merger Conditions. The Introduction also addresses the process to review internal and external reports of non-compliance and provides information on merger efficiencies to the best of our knowledge as of the date of the report.
- b. The second section of the report provides the following information for each Merger Condition:
 - 1) Discussion of Verizon's compliance with the Condition;
 - 2) Identification of the Responsible Executive(s) accountable for that Condition;
 - 3) Additional action taken. The discussion in this section is provided for information purposes only and is not intended to address the materiality of compliance issues.

Verizon is committed to complying with all Merger Conditions and has done so, as specified in this Merger Compliance Report. Sufficient resources have been and will continue to be dedicated and adequate processes have been created and will continue to be followed to comply with the Merger Conditions. Under the direction of the senior corporate regulatory compliance officer, Verizon established an internal control and program management approach to provide reasonable assurance of its compliance with the Merger Conditions. The essential components of this approach are summarized below.

Merger Compliance Organization

Ivan Seidenberg, President and Co-Chief Executive Officer, appointed Jeffrey W. Ward as Senior Vice President – Regulatory Compliance in June 2000. In this capacity, Mr. Ward is the senior corporate regulatory compliance officer with responsibility for regulatory compliance activities, including compliance with merger-related Conditions. The Verizon board of directors directed the audit committee of the board of directors to oversee the activities of the senior corporate regulatory compliance officer. During 2001, Mr. Ward reported to the audit committee of the board of directors on February 28, June 7, and November 1.

Mr. Ward has established a Merger Compliance Organization, with ongoing compliance responsibilities that include merger issue identification and resolution; data and reporting integrity for merger compliance information; merger compliance document retention; external merger audit oversight; and FCC merger interface and reporting.

Responsible Executive/Compliance Manager Model

One or more Responsible Executives have been assigned to each Merger Condition. Each Responsible Executive has acknowledged and accepted this role and has led the development and execution of plans to satisfy the requirements associated with his/her assigned Conditions. The Responsible Executives have continued their active involvement to provide for ongoing merger compliance. As described in the Merger Compliance Plan, the Responsible Executives regularly reported to the Senior Vice President – Regulatory Compliance on the status of Merger Conditions and notified the Senior Vice President – Regulatory Compliance of any issues that impacted or had the potential to impact compliance with Merger Conditions. When a change of Responsible Executive for a Condition was necessary due to organizational changes, the Merger Compliance staff, with the approval of the Senior Vice President – Regulatory Compliance, carried out the training and transition of responsibilities to the new Responsible Executive. The Responsible Executives continue to report to Mr. Ward on a regular basis.

Each Responsible Executive has named one or more Compliance Managers within his/her organization, to manage the merger compliance activities. The Compliance Managers have coordinated the development of work plans with the individuals who performed the tasks and have monitored and reported progress toward the established due dates. Once the FCC requirements were implemented, compliance-monitoring tasks were identified, tracked and reported. When a change of Compliance Manager for a Condition was necessary due to organizational changes, the Merger Compliance staff supported the Responsible Executive with the training and transition of compliance management activities.

Executive Management Compliance Council (EMCC)

The Executive Management Compliance Council, chaired by the Vice President-Merger Compliance reporting to the Senior Vice President-Regulatory Compliance, continues to provide executive oversight and accountability for compliance with all Merger Conditions. Membership includes the Responsible Executives, the Compliance Managers, the Senior Vice President – Regulatory Compliance, the Senior Vice President – Deputy General Counsel for Domestic Telecom, and the Senior Leadership of the Regulatory Compliance Organization. The EMCC met regularly throughout 2001 to assess that proper resources and responsibilities were assigned to achieve and continue compliance, and that Conditions affecting multiple work groups were coordinated. Mr. Ward or his designee participated in each EMCC meeting.

In addition to each member's normal organizational responsibilities, the EMCC continued to provide the overall leadership for merger compliance and provided direct support to the Senior Vice President – Regulatory Compliance to provide accurate and timely implementation and reporting of Merger Conditions.

Internal Controls for Complying with the Merger Conditions

Verizon has implemented cost-effective internal controls designed to provide reasonable assurance that Condition compliance steps and sub-steps have been identified and implemented and those assigned actions have led to the intended compliance with the Condition. Internal controls do not provide complete assurance of compliance. The internal controls implemented across the program and specifically for each Condition provide reasonable assurance that assigned actions are completed fully, are timely executed, and are properly documented.

Program Management Approach

The structured, mechanized project management environment established after merger close was maintained and enhanced throughout 2001 to manage and track deliverables associated with each Condition. Using standard software tools and project management techniques, the Vice-President – Merger Compliance monitored work plans weekly to keep all levels of management informed as to timely progress toward meeting Merger Conditions.

The output of this project management process continued to provide the basis for reports used to facilitate the EMCC meetings. In addition, the Verizon internal merger website was maintained and enhanced to provide access to current status and deliverables.

Methods and Procedures Assessment and Enhancement

Verizon's methods and procedures, i.e., the tools or materials used to document how a particular job or function is to be performed, or that are used to aid and direct day-to-day job tasks, were revised where appropriate in 2001 for new requirements. Staff support groups for those affected functional areas whose responsibilities are critical to achieving compliance with these Conditions will continue to maintain this job-specific information for the life of the requirements.

During 2001, certain methods and procedures were enhanced both as a result of the implementation of Merger Conditions, and to provide more comprehensive control over Conditions already implemented. Examples include:

- a. A comprehensive quality assurance plan was implemented to provide uniform and enhanced operating support systems ("OSS") and advanced OSS for Condition 6 (Uniform and Enhanced OSS and Advanced Services OSS);
- b. Enhanced demarcation point policies were implemented to strengthen the engineers' understanding and application of Condition 15 (Access to Cabling in Multi-Unit Properties) requirements over CLEC access to multiple dwelling units (MDUs);
- c. An expanded Change Control and Quality Assurance process for Condition 5 (Carrier to Carrier Performance Plan Including Performance Data) and Condition 19 (Additional Service Quality Reporting) was implemented; and
- d. A more comprehensive bill validation and quality assurance plan was implemented for Condition 6 (Uniform and Enhanced OSS and Advanced Services OSS), Condition 11 (Carrier-to-Carrier Promotions: Unbundled Loop Discount), and Condition 12 (Carrier-to Carrier Promotions: Resale Discount).

General Employee Communication and Training

The Regulatory Compliance organization continues to emphasize the critical nature of compliance with federal rules and regulations and provided contact points for employees with questions or concerns regarding these matters.

Education and training sessions have continued to be held for Responsible Executives, Compliance Managers and other employees working on delivery of one or more of the Conditions. Individual Condition work plans included the development of departmental and job-specific training on the Conditions. This training is used to educate existing employees in affected work groups on how their job duties, tools and processes may have changed as a result of implementing the requirements associated with the Merger Conditions.

Document Retention Requirements

Each Responsible Executive identified the documentation to be retained and implemented appropriate document retention procedures. In addition, the Merger Compliance staff maintains a copy of the completion documentation associated with each Merger Condition. The types of documents maintained include: required notices to regulators and CLECs; monthly and quarterly external reports; internal tracking reports; bill verifications; methods and procedures; pertinent system change control requests; and other completion and compliance documentation. The independent auditors utilized the documentation, maintained by the merger compliance library, in the course of their audit of General Merger Conditions.

Non-Compliance Reporting

As described above, the EMCC meetings and project management tools enabled the Vice President-Merger Compliance to identify and resolve possible instances of non-compliance with Merger Conditions. Responsible Executives were directed to report instances of non-compliance and any potential non-compliance situations to the Senior Vice President-Regulatory Compliance and the Vice President-Merger Compliance. The Responsible Executives provided this information and discussions took place as needed, to identify areas of potential non-compliance and to establish appropriate action plans. In addition, merger compliance issues identified by the independent auditors were evaluated, suitable action plans were developed and implementation was monitored under the Responsible Executives.

Internal Auditing Consultation

Verizon's Internal Auditing group served the EMCC in an advisory and consultative capacity throughout the planning and execution of the merger deliverables with respect to internal controls. This group's knowledge of former Bell Atlantic and GTE business processes and current control environments combined with their professional knowledge of internal controls qualifies them to serve in this administrative and consultative capacity. Verizon Internal Auditing representatives participated regularly in the EMCC meetings, and contributed to the resolution of issues identified. In addition, Internal Auditing representatives identified possible areas where internal controls could be enhanced and worked with the Regulatory Compliance staff and the Compliance Managers to assist in internal control evaluations. Responsible Executives and Compliance Managers contacted Internal Auditing to request internal control advice, and the Merger Compliance staff utilized the expertise of Internal Auditing in the evaluation of specific Merger Compliance processes established. In addition, Internal Auditing provided internal controls consultation for several critical Conditions, including performance metrics reporting and the related payment calculation process.

Merger Efficiencies

Activities prior to June 30, 2000, centered on organizational analysis and the inventorying of business practices and systems for the identification of possible “Best Practices”. Activities following merger close focused on implementing the new combined Verizon organizational structure for the former Bell Atlantic and GTE entities and executing operational plans by the individual business units (lines of business) for integrating major functions.

The lines of business and staff groups undertook reviews designed to identify functional process changes and, following approval, implemented efforts to eliminate redundancy and generate savings. Post merger staffing reductions began for the most part in the fourth quarter 2000, continued in 2001, and are expected to result in greater savings in future periods. Savings from merger synergies are approximately \$1.1 billion to date.

I. Separate Affiliate for Advanced Services

Section 1: Compliance Summary

Commitments for this Condition in 2001 were met as described herein. Verizon transitioned the provisioning of Advanced Services in the Verizon service areas to one or more structurally separate affiliates in accordance with the schedule and operating provisions set forth in Merger Condition I, which include the following:

- a. Subject to certain transitional mechanisms and timeframes, the separate Advanced Services affiliate operated in accordance with the structural, transitional, and non-discrimination requirements.
- b. After the transition period, Advanced Services offered by Verizon in a state were provided by an affiliate in accordance with specified “steady-state” conditions (¶ 4) and as described in Section 3: Additional Action Taken.
- c. Verizon's ILEC ceased receiving and processing Advanced Services related trouble reports and ceased performing related trouble isolation on an exclusive basis by June 30, 2001. The required notice was filed with the FCC on July 2, 2001.
- d. On September 26, 2001, the FCC accelerated the sunset of the separate Advanced Services affiliate requirement. Thereafter, Verizon complied with the requirements of Paragraph 12 of Condition I, which govern certain aspects of Verizon's provisioning of Advanced Services after the sunset of the Separate Affiliate requirement.

Section 2: Responsible Executives

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services
Keiko Harvey	Senior Vice President – Advanced Services (representing Verizon Advanced Data Inc., NYNEX Long Distance d.b.a. Verizon Enterprise Solutions, and Verizon Global Networks Inc.)
William Wallace	President and Chief Operating Officer – Verizon Avenue Corp.
Robert Barish	Vice President – Verizon Select Services Inc.

Section 3: Additional Action Taken

- a. In a December 18, 2000, letter from Verizon to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau, Verizon petitioned for a waiver of certain provisions of Condition I relating primarily to Verizon's inability to obtain necessary state approvals to transition Advanced Services to the separate affiliate prior to the end of the transition period in Hawaii, California, New Jersey and the former GTE service area in Virginia. Pursuant to the Merger Conditions, Verizon was not required to transition these states during the pendency of the waiver petition. No action was taken on the waiver petition. Verizon subsequently obtained necessary state approvals and transitioned Advanced Services to the separate affiliate in Virginia in April 2001 and in Hawaii in May 2001. In California, Verizon Advanced Data Inc. commenced operating Advanced Services in May 2001 pursuant to a revocable license. Necessary approvals were not obtained in New Jersey. Accordingly, Advanced Services were never provided through a separate affiliate there.
- b. On October 9, 2001, the Common Carrier Bureau granted Verizon Special Temporary Authority to waive for 90 days certain Condition I requirements as necessary to respond to the attacks of September 11, 2001.
- c. In some instances transactions between the separate affiliate and the Verizon ILECs were not reduced to writing and/or were not summarized on the Internet in the timeframes required by the Merger Conditions. Verizon has provided training to the business units that enter agreements with affiliates to reinforce understanding of the types of transactions requiring a written contract and committed additional resources to help ensure that Internet postings were made within the required time periods. In addition, in one instance relating to Transparent LAN Service, although appropriate documentation was developed and disclosed, the separate affiliate was not able to fully conform its network architecture to the service reflected in this documentation prior to the sunset of the separate affiliate Condition.
- d. Verizon's Advanced Services operations in California and Hawaii did not convert to the separate affiliate by December 27, 2000, due to inability to obtain required state regulatory approvals there. As a result, on and after that date, employees of the separate affiliate had access to both separate affiliate ordering systems and legacy ordering systems. They were trained to use the separate affiliate systems for states in the Verizon West (former GTE) territory other than California and Hawaii, and to use the ILEC legacy systems for those two states. As part of the internal control process, Verizon observed instances where employees accessed ILEC legacy systems for customers located in states other than California and Hawaii to obtain customer information, such as address and billing information. This information was used to place Advanced Services orders in separate affiliate systems. Additional training was conducted to prevent employees from accessing systems in this manner. Separate affiliate employees were denied access to ILEC legacy systems following the conversion of

California and Hawaii in May 2001. In addition, a single point of contact was established to coordinate and control access to ILEC systems and access approval authority was documented and communicated to employees.

- e. There was an overlapping Officer between Verizon Avenue (formerly OnePoint Communications) and 5 core ILECs (Verizon PA, Verizon DC, Verizon NJ, Verizon NY and Verizon NE) for the first six weeks after the December 15, 2000, acquisition by Verizon of OnePoint Communications. This situation was uncovered through Verizon's internal control procedures and corrected.
- f. On September 26, 2001, the FCC accelerated the sunset of the separate Advanced Services affiliate requirement. Paragraph 12 of Condition I continues to govern certain aspects of Verizon's provisioning of Advanced Services after the sunset of the Separate Affiliate requirement. Specifically, it requires Verizon to use the interfaces and processes available to unaffiliated providers of Advanced Services for a substantial majority of preorder inquiries and orders for Advanced Services. Since Advanced Services had not transitioned to such interfaces or processes in New Jersey for the reasons noted above, Verizon is currently performing the systems work to conform its operations in New Jersey to this requirement.

II. Discounted Surrogate Line Sharing Charges

Section 1: Compliance Summary

The provisions of this Condition will apply only if the FCC line sharing rules are overturned on a final and non-appealable judicial decision. No implementation was necessary given the effectiveness of the FCC's line sharing rules.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

None.

III. Loop Conditioning Charges and Cost Studies

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. The Company continued to make interim loop conditioning rates available in those states where permanent rates had not been approved by a state commission. These rates are subject to true up once a state has approved the individual state-level cost studies. The Companies did not charge for conditioning of eligible loops less than 12,000 feet to meet minimum requirements through the removal of load coils, excessive bridged taps, and/or voice grade repeaters, and obtained telecommunication carrier authorization prior to proceeding with any conditioning that would result in charges to the telecommunications carrier.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

None.

IV. Non-Discriminatory Rollout of xDSL Services

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular:

- a. In each state where xDSL had been deployed in at least 20 urban or 20 rural wire centers, at least 10% of the wire centers Verizon deployed were from the Low Income Urban Pool or the Low Income Rural Pool, respectively.
- b. Verizon filed the 2001 quarterly status reports demonstrating compliance with this Condition on April 20, 2001, July 31, 2001, October 31, 2001, and January 28, 2002.

Section 2: Responsible Executive

Name	Title
Veronica Pellizzi	Group President – Internet & Data Services

Section 3: Additional Action Taken

None.

V. Carrier-to-Carrier Performance Plan (Including Performance Measurements)

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies carried out the following activities:

- a. On February 23, 2001, March 23, 2001, April 25, 2001, May 25, 2001, June 25, 2001, July 25, 2001, August 24, 2001, September 25, 2001, October 25, 2001, November 26, 2001, December 26, 2001, and January 25, 2002, the Companies provided the FCC with the required monthly performance reports for each of the required states in the 17 measurement categories identified in Attachments A-1a and A-1b of the Merger Conditions for the prior month and as described in Section 3: Additional Action Taken. By the 25th of each month, Verizon provided these reports via web posting. During 2001, Verizon initiated a process to re-run the January through May monthly performance reports to incorporate corrections to the data that would potentially affect the voluntary payments. June 2001 through December 2001 performance reports may be re-run during 2002.
- b. During first and third quarter 2001, the Companies and the staff of the Common Carrier Bureau jointly reviewed the Performance Metrics to determine whether measurements should be added, deleted or modified and on February 7, 2001, (updates provided through April 6, 2001), and August 10, 2001, Verizon made written proposals to the Common Carrier Bureau. On December 10, 2001, the Common Carrier Bureau approved in part Verizon's request to make certain changes and the Company provided an implementation plan on December 26, 2001.
- c. The Companies provided the Chief of the Common Carrier Bureau with notice on July 24, 2001, of the changes to the design and calculation of the measurements adopted by the California State commission.
- d. The Companies made voluntary performance payments for 2001 results on August 24, 2001, September 25, 2001, October 25, 2001, November 26, 2001, December 26, 2001, January 25, 2002, and February 25, 2002, and as described in Section 3: Additional Action Taken. Notices were provided to the FCC within five business days after such payments were made.
- e. Effective as of April 26, 2001, July 30, 2001, and September 28, 2001, the Companies were authorized to provide in-region interLATA service in Massachusetts, Connecticut, and Pennsylvania, respectively, and in accordance with paragraph 17 of the Merger Conditions discontinued reporting the performance measurements.
- f. On January 8, 2002, the Common Carrier Bureau found that the Illinois and Ohio state performance plans were comprehensive and qualified for removal from the merger plan. Verizon ceased reporting these two states under the merger plan.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services

Section 3: Additional Action Taken

During 2001, certain errors were identified in the carrier-to-carrier performance metrics reports. Verizon detected a substantial majority of these errors as a result of its internal controls and quality assurance plan. As errors were identified, corrections were made using a change control process. Approved change control requests were scheduled for implementation and closely managed throughout the implementation process. In addition, the Wholesale Quality Assurance Team conducts regular reviews of metrics. Verizon notifies the Common Carrier Bureau monthly as issues are detected.

A majority of the errors identified fall into one of the following two categories:

- a. Data Extraction, not correctly identifying and pulling the appropriate data from the source systems to be used in the calculation of the metric;
- b. Data Calculation, using an algorithm that is incorrect.

In one instance, Verizon chose to use a business rule definition proposed to the CCB at a meeting on August 17, 2000, because the existing business rule would not have provided meaningful results. In correspondence to the Common Carrier Bureau dated April 4, 2001, Verizon described this issue and proposed a revision to the business rules, which was approved by the Common Carrier Bureau on December 11, 2001.

In addition, there were some errors due to other issues, such as payment calculations, incorrect report mapping and web posting caused by isolated clerical error, and lags in system enhancement and system development.

Because Verizon's liability for the types of errors described above could affect performance payments, Verizon instituted a process to evaluate the impact on the metric reports and performance payments based on the adjusted data. In December of 2001, at the request of the CCB, the payment process was revised to include informal FCC notification of payment adjustments before Verizon files the adjustment. As of the date of this report, the results of the payment adjustments have not been significant.

The system code initially established to calculate the voluntary payments did not properly apply the Critical Z score. This error was detected by the Company and

disclosed to the CCB on October 18, 2001. The affected August 2001 and September 2001 payments were corrected effective with the October 2001 payment.

During 2001, Verizon implemented new processes and procedures to identify and minimize errors. The Change Control origination process was improved to include an additional review by the organization responsible for negotiating business rules and measurements with the relevant regulatory authority before the issuance of the Change Control. The purpose of this review is to support adherence to the guidelines. Verizon performs root cause analysis on Change Controls that are issued for corrections. To strengthen internal controls and provide adherence to the Change Control process, root cause analysis is also performed for deviations from the process. Corrective action plans are developed and implemented for both of these analyses to minimize reoccurrence.

Monthly Vice President data provider meetings have been instituted to provide executive level attention on issues and place emphasis on adherence to the guidelines.

To reduce the effects of human error, Verizon has begun development of a data warehouse to collect and store data centrally from the OSS source systems. Simultaneously, Verizon has begun implementation of a third party replication process.

VI. Uniform and Enhanced OSS and Advanced Services OSS

Section 1 Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies carried out the following activities:

- a. On July 2, 2001, the Companies adopted in each Bell Atlantic and GTE state the Bell Atlantic change management process originally developed as part of the New York Proceeding, dependent on state approvals. State approvals were required in California (approved on July 2, 2001), Hawaii (approved on June 15, 2001), and Indiana (approved based upon California approval). The Companies offered to include in their interconnection agreements with CLECs a commitment to follow the uniform change management process.
- b. On September 28, 2001, uniform transport and security protocols were implemented across the merged Bell Atlantic and GTE service areas in accordance with the Plan of Record (POR) and as described in Section 3: Additional Action Taken.
- c. During the evaluation period, the Companies offered to develop and deploy electronic bonding interface (EBI) within 12 months of an executed contract. No enhancements had become industry standard as of December 31, 2001.
- d. The Companies provided 25% discounts on recurring and nonrecurring charges for unbundled local loops used to provide advanced services to all carriers during the Evaluation Period and as described in Section 3: Additional Action Taken, unless a carrier proactively chose not to accept the discount. The notification of this discount is posted on Verizon's Wholesale Website. On January 26, 2001, Verizon filed an ex-parte with the FCC Chief of the Common Carrier Bureau that Verizon had developed and deployed standard OSS interfaces for pre-ordering and ordering unbundled network elements used to provide xDSL and other Advanced Services and certifying that Verizon Advanced Data Inc. was using those OSS interfaces for more than 75% of the pre-ordering and ordering transactions it submits to Verizon in Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New York, Pennsylvania, Rhode Island, and Vermont. This discount was terminated on March 17, 2001, in those states.
- e. The Companies developed and began the implementation of a plan to provide OSS uniformity in Pennsylvania and Virginia per paragraph 19 of the Merger Conditions.

Section 2: Responsible Executives

Name	Title
Shaygan Kheradpir	Chief Information Officer – Information Technology
Barry Paulson (PA/VA Uniformity only)	Senior Vice President – Engineering and Planning
Kathleen Hishinuma (discount only)	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

Verizon implemented the POR provisions relative to Uniform Transport and Security on September 28, 2001, except for two isolated circumstances where implementation is still underway:

- a. The first instance is the security protocol used in the former GTE service area to access dedicated CORBA. The POR calls for the use of SSL and digital certificates or the use of token authentication. Verizon uses SSL and digital certificates as its security protocol in the former Bell Atlantic service areas but it still uses a password and ID security protocol in the former GTE. SSL and digital certificates are being implemented in the former GTE as specified in the POR. Only one CLEC uses this access method, generating less than 1/10 of 1% of all local service transactions, and that CLEC has not requested that this change be made.
- b. The second instance involves the carrier services gateway, where a small list of products are requested by CLECs through an Internet-based access service request to place orders instead of the usual local service request process. Per the POR, SSL and digital certificates will be the security method used. For former GTE this system uses SSL and digital certificates, but for former BA an ID and password security process is still being used. Verizon is building an access method to extend the SSL and digital certificate process to former BA CLECs. Only 0.16% of all wholesale order activity occurs on the carrier services gateway.

Since these changes are CLEC impacting, they will be communicated through Change Management.

In limited instances, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement during 2001. In some instances, the charges eligible for the discount were billed incorrectly. During 2001, Verizon developed and implemented a more comprehensive bill validation and quality assurance plan to

supplement and further strengthen its internal controls and it is performing on-going root-cause analysis on billing issues. Also, additional training has been provided to employees involved in discount processes and additional system edits were implemented. Verizon took prompt corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period.

VII. OSS Assistance to Qualifying CLECs

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Company assisted qualifying telecommunications carriers in using the Companies' OSS's. The Company informed telecommunications carriers of the self-certification process allowing telecommunications carriers to assert that they qualify for assistance and of the availability, free of charge, of OSS expert teams. In addition, the Company made available OSS support teams and held training forums to discuss training and procedures that would be beneficial to qualifying telecommunications carriers. The Company provided notice of such training and procedures to qualifying Competitive Local Exchange Carriers on the Verizon Wholesale Website.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services

Section 3: Additional Action Taken

None.

VIII. Collocation, Unbundled Network Elements, and Line Sharing Compliance

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. Verizon complied with the FCC's Collocation rules and the final rules as amended through appropriate state tariffs filings and interconnection agreement amendments and as described in Section 3: Additional Action Taken.

Where applicable, the Companies waived, credited or refunded non-recurring costs for collocation if the collocation due date was missed by more than 60 days, unless the Companies could demonstrate that the miss was solely caused by equipment vendor delay beyond the Companies' control.

During calendar year 2000, Verizon engaged Arthur Andersen, LLP to perform attestation examinations of Verizon's internal controls surrounding and compliance with the collocation and UNE/line sharing rules for the four months ending October 31, 2000. Arthur Andersen filed its reports with the FCC on January 29, 2001. During 2001, Verizon reviewed the results of Arthur Andersen's examination report and revised its procedures as described in Section 3: Additional Action Taken.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services

Section 3: Additional Action Taken

In 2001, Verizon undertook several actions relative to UNE/line sharing and collocation:

a. UNE/line sharing

- 1) In response to Arthur Andersen's year 2000 audit finding that one of Verizon's loop qualification product offerings (manual loop qualification) was not available in the pre-order process, Verizon modified its systems, consistent with the change management process, to provide this information in the pre-order stage. The 2000 Arthur Andersen audit report also found that Verizon had not provided electronic access to a database containing information concerning a limited number of loops. Verizon provided manual access to the information in that database starting in 2000, and on February 2, 2001, put into production a temporary electronic means of reporting the loop make-up

information. During the fourth quarter of 2001, a permanent electronic means of reporting the loop make-up information was implemented.

- 2) In some instances, Verizon did not bill for unbundled network elements in accordance with rates in interconnection agreements or approved tariffs. This matter was also identified in the 2000 Arthur Andersen audit. Verizon established a team that performed a comprehensive analysis of rates billed to CLECs. As a result of the recommendations of that team, during 2001, Verizon revised and implemented an on-going process to timely and accurately implement rate change requirements, and made appropriate adjustments where billing discrepancies were identified. In addition, functional enhancements to billing systems were developed and implemented on a phased basis throughout 2001 and are continuing.
- 3) The 2000 Arthur Andersen audit noted that the Company's standard proposed Interconnection agreement contains a clause limiting the requesting carrier to leasing a maximum of 25% of the dark fiber in any given segment of the Company's network during any two-year period. Verizon uses this "model" agreement as the starting point for negotiations, and no CLEC is required to accept it. If Verizon and the CLEC voluntarily agree to this provision, Section 252(a)(1) allows them to do so notwithstanding the Commission's requirements under Section 251(c). Moreover, any CLEC can adopt an agreement without such a limitation under the "most favored nations" provisions of the Merger Order, as Verizon has voluntarily entered into several post-merger agreements that do not contain this 25% dark fiber limitation.

b. Collocation

- 1) In response to the 2000 Arthur Andersen audit findings that Verizon had not made the appropriate filings with the state commissions when it denied a collocation application due to the lack of space, Verizon reviewed the offices in question and made any appropriate state filings. In addition, the process was enhanced for tracking the filings and implemented by the end of the first quarter of 2001 so that filings are made timely.
- 2) In response to the 2000 Arthur Andersen audit findings concerning the process of updating web postings, Verizon entered into a consent decree with the FCC and subsequently:
 - a) Developed and implemented a revised policy and process for facilitation of timely web updates and made modifications to the website to identify queue offices.
 - b) Established a central point of contact to monitor and record Verizon's posting requirements.

- c) Eliminated the phrase "Pending Office Reevaluation" on Verizon's Internet site.
 - d) Made a voluntary payment to the United States Treasury in the amount of \$77,000 on October 10, 2001.
- 3) The 2000 Arthur Andersen audit noted that Verizon had not collected certain collocation application fees and charges for completed collocation arrangements from its advanced services affiliate. During the first half of 2001, Verizon collected the outstanding charges as of the prior audit period from its Advanced Services affiliate.
- 4) The 2000 Arthur Andersen audit noted that the Company requires the use of Point of Termination bays in many collocation arrangements. On March 4, 2002, the FCC released a Public Notice inviting comments on this issue.

IX. Most-Favored-Nation Provisions for Out-of-Region and In-Region Arrangements

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies made available to requesting telecommunications carriers in the former Bell Atlantic and GTE service areas interconnection arrangements, unbundled network elements, or provisions of an interconnection agreement (including an entire agreement) subject to 47 U.S.C. 251(c) and Paragraph 39 of the Merger Conditions as follows:

- a. Out-of-region -- as of December 31, 2001, Verizon had not received any CLEC requests for Verizon affiliate Out-of-Region MFN arrangements. In addition, during 2001, Verizon, when acting outside its incumbent service area, did not enter into any interconnection arrangements or obtain UNEs from an incumbent LEC that were not previously made available by the non-Verizon incumbent. In-region, post merger – subject to the requirements of the Merger Conditions, the Companies made available any in-region interconnection arrangement or unbundled network element that was voluntarily negotiated by the Companies with a requesting telecommunications carrier after the Merger Close Date.
- b. In-region, pre-merger – subject to the requirements of the Merger Conditions, the Companies made available any in-region interconnection arrangement or unbundled network element that was voluntarily negotiated by Bell Atlantic or GTE with a requesting carrier prior to the merger, but limited to the states within the same pre-merger Bell Atlantic or GTE serving areas, respectively.

These offers were on the same terms exclusive of price and state-specific performance measures.

Where a competing carrier seeks to adopt, in an in-region Company service area, any agreements, provisions or unbundled network elements that resulted from an arbitration arising in another Verizon service area after the merger closing date, the Merger Conditions require the Companies to allow other parties to submit the arbitrated agreements, provisions, or unbundled network elements to immediate arbitration in the "importing" state without waiting for the statutory negotiation period of 135 days to expire, where the state consented to conducting arbitration immediately. During 2001, no requests were received to obtain immediate arbitration.

- c. Each Verizon out-of-region local exchange affiliate posted on the Verizon web site agreements entered into with non-affiliated incumbent local exchange carriers.

Section 2: Responsible Executives

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing
William Wallace	President and Chief Operation Officer – Verizon Avenue
Robert Barrish	Vice President – Verizon Select Services Inc.

Section 3: Additional Action Taken

On February 28, 2002, the FCC granted in part and denied in part a complaint filed by Global NAPs, Inc., finding that Global NAPs had the right to adopt, in the states of Virginia and Massachusetts, an entire interconnection agreement that Verizon had entered into in the state of Rhode Island, including a provision that provided compensation for Internet-bound traffic. It found, however, that, under paragraph 32 of the Merger Conditions, only those provisions of interconnection agreements that are consistent with state laws and regulatory requirements can be adopted across state lines. Because neither adopting state had reviewed the provision in question, the FCC denied Global NAPs' claim damages as premature, saying that it expected the parties to submit the agreement to the state commissions in Massachusetts and Virginia for approval of the Internet compensation provision.

X. Multi-State Interconnection and Resale Agreements

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies made available a generic multi-state interconnection and resale agreement covering all BA/GTE service areas that was available, upon request, for negotiation to cover interconnection and resale agreements for any two or more states in the Verizon service area.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

None.

XI. Carrier-to-Carrier Promotions: Unbundled Loop Discount

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. The Companies provided the required unbundled loop discounts to all carriers unless the carrier proactively chose not to accept the discount, in accordance with the Merger Conditions and as described in Section 3: Additional Action Taken, and as listed in a. through d. below:

- a. This discount was not offered in New York, which already had received approval to provide in-region interLATA services prior to Merger Closing Date.
- b. Effective as of April 26, 2001, the Companies were authorized to provide in-region interLATA services in Massachusetts and on July 21, 2001, the offering window for this discount was closed.
- c. Effective as of September 28, 2001, the Companies were authorized to provide in-region interLATA services in Pennsylvania and on December 15, 2001, the offering window for this discount was closed.
- d. Effective as of July 30, 2001, the Companies were authorized to provide in-region interLATA services in Connecticut and on January 19, 2002, the offering window for this discount was closed.

Notification of the discount was posted on the Wholesale Internet Website.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

On November 21, 2000, the Chief Counsel of the Pennsylvania Public Utilities Commission, Bohdan Pankiw, sent a letter to the Common Carrier Bureau regarding the discounts that the Companies provided for unbundled network element rates in Pennsylvania under Condition XI. The Companies had applied the discounts to the "pre Global Order" UNE rates that were in effect prior to the current rates, as provided in Attachment D to Appendix D of the Merger Order, which expressly provides that the "current price" to be used in calculating the promotional discount in Pennsylvania is the rate in effect "prior to implementation of discounts required in the PA 'Global Order'".

issued September 30, 1999." The letter dated November 21, 2000, stated that, in the view of the Pennsylvania Public Utilities Commission, the UNE rates set forth in Verizon's Pennsylvania 216 tariff, are permanent, TELRIC-based rates and not promotional or market-opening discounts. As a result, the Common Carrier Bureau sent a letter to the Companies on December 21, 2000, stating that Verizon should apply the Condition XI discounts to the current rates. Although Verizon acted in good faith compliance with the terms of the Merger Order by calculating the discounts as expressly set forth in Attachment D, Verizon voluntarily agreed and effective February 1, 2001, the full statewide average discount of 25% was applied to the current rates in Pennsylvania.

In limited circumstances during 2001, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement. In some instances, the charges eligible for the discount were billed incorrectly. As identified in Verizon's 2000 Merger Compliance Report, complications from the implementation of a new Verizon billing system called ExpressTRAK resulted in limited account set-up and conversion problems. Verizon's internal controls identified a substantial majority of the billing errors and Verizon took prompt corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period. During 2001, Verizon developed and implemented a more comprehensive bill validation and quality assurance plan to supplement and further strengthen its internal controls and is performing on-going root-cause analysis on any new billing issues as they are identified. Also, additional training has been provided to employees involved in discount processes and additional system edits were implemented.

XII. Carrier-to-Carrier Promotions: Resale Discount

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. The Companies provided the required resale discount to all carriers and as described in Section 3: Additional Action Taken, unless the carrier proactively chose not to accept the discount in accordance with the Merger Conditions. Notification of the discount was posted on the Wholesale Internet Website and CLECs were notified, on a state-by-state basis, when 50%, 80% and 100% of the maximum required number of resold loops was reached.

- a. The discount was offered at 1.1 times the standard wholesale rate in New York, which already had received approval to provide in-region interLATA services prior to Merger Closing Date.
- b. Effective as of April 26, 2001, the Companies were authorized to provide in-region interLATA services in Massachusetts and effective as of May 28, 2001, the discount was reduced to 1.1 times the standard wholesale rate.
- c. Effective as of September 28, 2001, the Companies were authorized to provide in-region interLATA services in Pennsylvania and effective as of October 21, 2001, the discount was reduced to 1.1 times the standard wholesale rate.
- d. Effective as of July 30, 2001, the Companies were authorized to provide in-region interLATA services in Connecticut and effective as of January 19, 2002, the discount was reduced to 1.1 times the standard wholesale rate.
- e. On August 6, 2001, notification was sent to CLECs doing business in the District of Columbia that 50% of the number of promotional resold lines specified in Attachment E of the Merger Conditions was met.
- f. On May 8, 2001, notification was sent to CLECs doing business in Texas that 50% of the number of promotional resold lines specified in Attachment E of the Merger Conditions was met. On November 11, 2001, notification was sent to CLECs in Texas that 80% of the promotional resold lines specified in Attachment E of the Merger Conditions was met.
- g. On May 8, 2001, notification was sent to CLECs doing business in Kentucky that 50% of the number of promotional resold lines in Attachment E was met. On November 27, 2001, notification was sent to CLECs in Kentucky that 80% of the promotional resold lines specified in Attachment E of the Merger Conditions was met.
- h. On January 1, 2001, March 5, 2001, and May 8, 2001, notification was sent to CLECs doing business in South Carolina that 50%, 80%, and 100% of the number of promotional resold lines, respectively, specified in Attachment E was

met and the offering window would be closed on or about May 29, 2001. On May 11, 2001, the South Carolina Public Service Commission was provided notice of the offering window closure. The FCC was provided notice on May 14, 2001.

- i. On January 9, 2001, February 23, 2001, and April 18, 2001, notification was sent to CLECs doing business in Alabama that 50%, 80%, and 100% of the number of promotional resold lines, respectively, specified in Attachment E was met and the offering window would be closed on or about May 15, 2001. Notice of the offering window closure was provided to the FCC and the Alabama Public Service Commission on May 1, 2001.
- j. On August 28, 2001, notification was sent to CLEC's doing business in North Carolina that 50% of the number of promotional resold lines in Attachment E was met.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

In limited instances, Verizon provided an incorrect discount amount, or provided the discount outside the 60-day requirement during 2001. In some instances, the charges eligible for the discount were billed incorrectly. During 2001, Verizon developed and implemented a more comprehensive bill validation and quality assurance plan to supplement and further strengthen its internal controls and it is performing on-going root-cause analysis on billing issues. Also, additional training has been provided to employees involved in discount processes and additional system edits were implemented. Verizon took prompt corrective actions to issue credits to the affected CLECs effective to the date the error occurred for a qualifying line during the promotional period.

XIII. Offering of UNEs

Section 1: Compliance Summary

This Merger Condition is not operative because none of the FCC's rules in the UNE remand and line sharing orders have been vacated or stayed. Verizon continued to make available the UNE's and UNE combinations required in the FCC's UNE and line sharing orders as described in Condition VIII Collocation, Unbundled Networks Elements and Line Sharing compliance.

Section 2: Responsible Executive

Name	Title
Kathleen Hishinuma	Senior Vice President – Wholesale Marketing

Section 3: Additional Action Taken

None.

XIV. Alternative Dispute Resolution through Mediation

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies implemented, subject to state commission approval and participation, an alternative dispute resolution mediation process to resolve carrier-to-carrier disputes regarding the provision of local services, including disputes relating to interconnection agreements. The Companies kept the new alternative dispute resolution process posted on their Internet Websites through the evaluation period.

As of December 31, 2001, Verizon has received no formal Alternative Dispute Resolution mediation requests.

Section 2: Responsible Executive

Name	Title
Virginia Ruesterholz	Senior Vice President – Wholesale Services

Section 3: Additional Action Taken

None.

XV. Access to Cabling in Multi-Unit Properties

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies completed a cabling access trial to identify procedures and associated costs required to provide telecommunications carriers with access to cabling within Multi-Dwelling Unit premises where the Companies control the cables. Specifically, Verizon conducted this trial to determine the feasibility of permitting CLECs to perform their own cross-connect work when accessing or interconnecting to Verizon house and riser cabling.

The trial that began on January 17, 2000, regarding feasibility of CLECs performing their own cross-connect work when accessing or interconnecting with Verizon controlled House and Riser cabling was concluded in June 2001. The model interconnection agreements that provide CLECs with access to or interconnection with House and Riser cabling controlled by Verizon in Multi-Dwelling Units and multi-tenant units were available throughout 2001 and were not changed as a result of the trial.

Where appropriate and consistent with state law and regulation, Verizon offered owners and developers of multi-tenant properties, in writing, the option to install a single point of interconnection at a minimum point of entry when the property owner or other party owns or maintains the cabling beyond the single point of interconnection. Verizon installed new cables in a manner to provide telecom carriers a single point of interconnection, where Verizon had the right to do so without consent of another party. Verizon also provided written notice for multi-tenant property owners that Verizon will install and provide new cables that permit a single point of interconnection in states where the demarcation point is not already at a minimum point of entry.

Section 2: Responsible Executive

Name	Title
Barry Paulson	Senior Vice President – Engineering and Planning

Section 3: Additional Action Taken

To clarify and reinforce the notification and cabling requirements of this Condition, revisions and enhancements to the Methods and Procedures published during 2000 were developed and distributed during 2001, as were several pieces of related correspondence. Correspondence to Engineering Directors included a requirement to relay the information to all staff members.

XVI. Out-of-Territory Competitive Entry

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. During the 12 months ended June 30, 2001, Verizon spent at least \$100 million in qualified expenditures in out-of-region markets. At least 20% of these expenditures were used to provide Competitive Local Service to residential customers or to provide Advanced Services.

Section 2: Responsible Executive

Name	Title
Doreen Toben	Senior Vice President and CFO – Verizon Services

Section 3: Additional Action Taken

None.

XVII. InterLATA Services Pricing

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular, each Verizon subsidiary providing interLATA long distance service to wireline residential customers within the United States during the Evaluation Period continued to have in effect an interLATA long distance offering that did not include mandatory, minimum monthly, or flat rate charges for interLATA service. Ongoing compliance includes those states in which Verizon secured 271 authorizations during the Evaluation Period.

Section 2: Responsible Executive

Name	Title
John Havens	Vice President – Long Distance

Section 3: Additional Action Taken

None.

XVIII. Enhanced Lifeline Plans

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies maintained an Enhanced Lifeline Plan in Delaware that was comparable to the Ohio Universal Service Assistance (USA) Lifeline Plan in the areas of subscriber eligibility, discounts and eligible services. Further, on August 22, 2001 the Companies filed the USA Lifeline Plan tariff with the Illinois commission. The Enhanced Lifeline Plan implemented on August 27, 2001, and maintained in Illinois was comparable to the Ohio Universal Service Assistance (USA) Lifeline Plan in the areas of subscriber eligibility, discounts and eligible services and certain additional provisions necessary for compliance with pre-existing rules for Illinois Lifeline programs.

Section 2: Responsible Executive

Name	Title
Maura Breen	Senior Vice President – Retail

Section 3: Additional Action Taken

During 2001, Verizon provided focused training for customer service representatives concerning the availability and features of the Delaware Lifeline plan and the new Illinois Lifeline plan, and conducted test calls to verify the effectiveness of this training.

XIX. Additional Service Quality Reporting

Section 1: Compliance Summary

The Companies complied with the requirements of this Condition as described herein. In particular, the Companies:

- a. Reported to the staff of the FCC for the public record the 4 quarterly NARUC retail service quality reports relating to calendar year 2001 on May 22, 2001, August 16, 2001, November 15, 2001, and February 12, 2002. A copy of each report for a state was included on an Internet Website and as described in Section 3: Additional Action Taken.
- b. Provided, through an Internet Website or directly to the relevant state commission, quarterly local service quality data relating to calendar year 2001 from Table 1, ARMIS Report 43-05, carriers. These reports were provided on May 15, 2001, August 14, 2001, November 14, 2001, and February 13, 2002.
- c. Reported to the FCC, to Mitchell & Titus, LLP, the independent auditor engaged to perform the Genuity Merger Compliance Engagement, and to PricewaterhouseCoopers LLP, the independent auditor engaged to perform the Merger Compliance Engagement, service quality showing the service level provided to Genuity compared to other companies for Special Access and High Capacity services and as described below in Section 3: Additional Action Taken. Reports were issued monthly throughout the evaluation period, reflecting the business rules approved by the Common Carrier Bureau on September 19, 2000 and February 11, 2002.
- d. On May 15, 2001, via a letter to Ms. Dorothy Attwood, Chief of the Common Carrier Bureau, FCC, provided clarifications associated with the application of the Genuity Report business rules that had been utilized since the inception of these reports and requested minor modifications to those business rules. On February 11, 2002, in a letter from Carol Matthey, Deputy Chief of the Common Carrier Bureau, the FCC agreed that the proposals submitted by Verizon will make the business rules more accurate and approved those changes. In a February 19, 2002, letter to Dorothy Attwood, Verizon submitted revised business rules that incorporated the approved clarifications.

Section 2: Responsible Executive

Name	Title
Arnold Eckelman	Senior Vice President - National Operations

Section 3: Additional Action Taken

There were a few instances during 2001 where data were incorrectly reported due to issues such as data extraction or data mapping. As these errors are detected, Verizon restates the results. Restated results were provided on May 15, 2001, January 17, 2002, and March 4, 2002.

To further enhance and strengthen the internal controls over this process, a more formalized Change Control and Quality Assurance procedure was developed, documented and implemented. The key features of the strengthened internal controls include:

- a. Identification of responsible individuals for each data source and major processing function;
- b. A formal Change Control form that must be completed, approved, and forwarded to the individual responsible for changing the underlying code before such a change can be made;
- c. A quarterly verification by responsible personnel that changes to data extraction or process coding are made consistent with approved Change Control forms; and
- d. Quality assurance examinations performed by subject matter experts, where a minimum of two report production individuals review results for reasonableness prior to final release of reports.

XX. NRIC Participation

Section 1: Compliance Summary

The Companies complied with requirements of this Condition as described herein. In particular, the Companies continued to participate in the Network Reliability and Interoperability Council (NRIC) V meetings held on February 27, 2001, June 26, 2001, and October 30, 2001. The companies also participated in the Focus Group 2, 3, and 4 meetings held throughout the year.

Section 2: Responsible Executive

Name	Title
Mark Wegleitner	Senior Vice President – Technology and Chief Technology Officer

Section 3: Additional Action Taken

None.

XXI. Compliance Program

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular, Verizon provided accurate and timely reports to the FCC, as required by the Condition, including its Annual Compliance Report that was filed on March 15, 2001, which disclosed issues known at that time. A senior corporate officer appointed as Senior Vice President – Regulatory Compliance oversaw implementation of, and compliance with, the Merger Conditions. The Senior Vice President – Regulatory Compliance presented merger compliance status to the audit committee of Verizon board of directors on February 28, 2001, June 7, 2001, and November 1, 2001. Verizon consulted with the FCC staff on an ongoing basis regarding Verizon's compliance. Verizon provided accurate and timely notices to the FCC and state public utilities commissions pursuant to specific notification requirements of the Merger Conditions. These notices were provided to PricewaterhouseCoopers in a timely manner.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXII. Independent Auditor

Section 1: Compliance Summary

Verizon complied with the requirements of this Condition as described herein. In particular, Verizon engaged independent auditors deemed acceptable to the FCC for the 2001 Merger audits as follows:

- a. Genuity Engagement – Mitchell & Titus, LLP;
- b. Advanced Services agreed-upon procedures engagement – PricewaterhouseCoopers LLP; and
- c. General Merger Conditions Engagement – PricewaterhouseCoopers LLP.

The auditors selected have not been instrumental during the past 24 months in designing all or substantially all of the systems and processes under examination in the attestation engagement.

The Genuity and the General Merger Conditions audit reports were filed with the FCC on June 1, 2001. The Advanced Services agreed-upon procedures report was filed on June 18, 2001, the date specified in the extension granted by the Common Carrier Bureau on April 27, 2001. Workpapers were made available at a Washington, D.C. location.

On July 19, 2001, Verizon and the Audit Staff met to confer regarding changes to the detailed audit programs. The Company kept the FCC informed of matters required under the Merger Conditions during the Evaluation Period. Verizon granted the independent auditors access to all relevant books, records, operations, and personnel.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXIII. Enforcement

Section 1: Compliance Summary

There has been no determination by the Chief of the Common Carrier Bureau that Verizon failed to comply with the Merger Conditions during the effective period of any Condition. As described in Condition V, Section 1: Compliance Summary, Verizon made voluntary payments to the U.S. Treasury on August 24, 2001, September 25, 2001, October 25, 2001, November 26, 2001, December 26, 2001, January 25, 2002, and February 25, 2002, related to performance measurement requirements.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXIV. Sunset

Section 1: Compliance Summary

There was no sunset of a Merger Condition during the evaluation period except for the accelerated sunset of the separate Advanced Services affiliate described in Condition I, the discontinuance of reporting the performance measurements for certain states described in Condition V, and the billing discount termination dates described in Conditions VI, XI, and XII.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

XXV. Effect of Conditions

Section 1: Compliance Summary

Verizon followed the guidance of this Condition in interpreting and applying the Merger Conditions and the relationship to state law.

Section 2: Responsible Executive

Name	Title
Jeffrey W. Ward	Senior Vice President – Regulatory Compliance

Section 3: Additional Action Taken

None.

Genuity

Section 1: Compliance Summary

Verizon has complied with the requirements of this Condition as described herein. In particular, from January 1, 2001, through December 31, 2001, Verizon complied as follows:

- a. Verizon provided service quality reports to the FCC and the independent auditor to assist in their assessment of whether Verizon discriminated in favor of Genuity in the provision of high-speed special access and regular special access services.
- b. Verizon has not converted any Class B stock or increased its equity interest in Genuity.
- c. Verizon has voted Class B shares in accordance with investor safeguards and Verizon was not asked by Genuity to consent, and did not consent, to Genuity's acquisition of a traditional voice long-distance provider.
- d. Verizon has complied with the requirement that Genuity be independent. In particular:
 - 1) The Genuity directors, other than the director elected by the Class B shareholder, are independent with no prior relationship with GTE, Bell Atlantic, or their affiliates, except for Genuity's Chief Executive Officer; and
 - 2) The Class B director has not served as the chairman of the board of Genuity.
- e. Verizon did not provide more than 25% of the aggregate debt financing that Genuity is permitted to incur.
- f. Relative to commercial contracts with Genuity, Verizon has:
 - 1) Provided transition services in accordance with Attachment 2 of Appendix B of the FCC's Genuity Conditions;
 - 2) Terminated all transition services to Genuity due to be terminated during calendar year 2001 on or prior to the timeframes set forth in Attachment 2 of Appendix B to the Genuity Conditions;
 - 3) Charged commercially reasonable rates for services purchased by Genuity under agreements with Verizon. In some cases, rates may have been established by agreement of the parties before the Genuity spin off under affiliate transaction rules. Verizon paid Genuity commercially reasonable rates for services provided by Genuity to Verizon; and
 - 4) Verizon jointly marketed Genuity's services as and where permitted by law.

Section 2: Responsible Executives

Name	Title
Steven Zipperstein	Senior Vice President & Deputy General Counsel

Section 3: Additional Action Taken

Notwithstanding the foregoing, the independent auditor's 2000 report on compliance with the Genuity Merger Conditions presented late billing and collection between Verizon and Genuity as a material compliance issue. Verizon does not agree this is a compliance matter (there is no Genuity Condition relating to billing and collection per se and other customers also pay Verizon late). Without waiving the foregoing position, Verizon issued revised guidelines and written instructions concerning timely billing and collection practices, and followed-up with individual business contacts to reinforce the need for compliance.